

Opening Remarks of the Honorable Maxine Waters (CA-35)

On a Hearing of the Financial Services Committee on

“SEC Proxy Access Proposals: Implications for Investors”

September 27, 2007

2128 Rayburn House Office Building

10:00 a.m.

Thank you, Mr. Chairman for holding this hearing on this important topic.

Corporate responsibility and the ability of shareholders to enforce that responsibility are critical in today’s financial markets. Recent corporate scandals—coupled with skyrocketing executive compensation packages—highlight the need for shareholders to have more of a say in how the companies in which they have invested are run and by whom they are run.

Current SEC rules limit the ability of shareholders to nominate their own candidates or to submit their own proposals to the Board of Directors. In fact, in the official proxy submitted to shareholders the only candidates that appear are those selected by the Board’s nominating committee. In

addition, because, in most cases, the CEO influences who the Board nominates, if there are corruptions or other inefficiencies in the corporation, those will continue unchecked and unabated. We need only look to WorldCom, Enron, and Hewlett-Packard as examples of what can happen when shareholders are locked out of the process.

Although state laws allow shareholders to try to run their own candidates, these campaigns are expensive and can oftentimes be a losing battle as the CEO and the Board have full access to the company's treasury. One estimate places the cost for shareholders to mount their own campaign for alternate candidates at a minimum of \$250,000. As a result, in many cases, shareholders' participation in the companies they own is reduced to merely rubberstamping a proxy that comes from the Board.

Proxy access is widely supported by unions, institutional investors, investor associations, and pension funds, including the California Public Employees Retirement System, the largest pension fund in the country with \$246 billion in assets.

I am pleased that the SEC has a proposal that would open up this relatively closed process to long-term shareholders. However, I am concerned about which proposal will move forward as the SEC has put forth two different proposals.

I look forward to hearing the witnesses' views on the merits and shortcomings of these two proposals.

Thank you, Mr. Chairman. I yield back the balance of my time.